

MARBELLA REAL ESTATE  
MARKET REPORT

2023

Diana Morales  
Properties



# Market Report.

## Overview

In many ways the property market in 2022 can be described as a year of two halves.

The pent-up demand for residential property accumulated during the pandemic continued into 2022 beyond most expectations.

In fact, 18.5 million passengers used Malaga-Costa del Sol Airport in 2022 representing an increase of 108% compared to 2021.

However, despite national, regional and local property sales transactions surpassing those of the record-breaking 2021, the second half of 2022 saw the market cooling.

Our outlook for 2023 could be best described as cautiously optimistic, and where transaction volumes appear to have slowed, buyers have been spending more on property.

According to our own data buyers spent on average 30% more on their property purchases in 2022 than in 2021.

Luxury property prices in Marbella rose 7.1% last year, according to Knight Frank's Prime International Residential Index (PIRI 100).

Nonetheless, the transition from a sellers' to a buyers' market is well under way, though limited prime stock in key locations within the Marbella area, exacerbated by the pandemic, is putting a floor under luxury prices.

As yet, forced sellers have been notable by their absence in Marbella.

For us, the Marbella luxury real estate market continues to attract buyers from all over the world. We recorded sales to buyers of more than 18 different nationalities last year, with a noticeable increase from Polish buyers.

In stark contrast with global reports of buyers of luxury properties getting younger, in 2022 the average age of our buyers stood at 55, perhaps more of an indication of our place in the market than a generalised trend.

We observed a general drop in demand in the last quarter of 2022 presumably due to concerns of rising interest rates in our core markets as well as domestically here in Spain. However, this was not as noticeable in the high end of the market as we find that these buyers tend to not require financing, and when they do, it's more likely to leverage favourable borrowing conditions for tax purposes.

Spain is in the top three chosen locations for purchasing homes for the world's wealthy. This was revealed in Knight Frank's annual Attitudes Survey of more than 500 private bankers, wealth advisors and family offices combined with in-depth conversations with industry experts.

And the transition to hybrid working, and the desire for a better work-life balance following the pandemic, has kept Marbella firmly in the spotlight.

The discretionary status of the second home market means its fundamentals differ from mainstream housing markets. A higher proportion of cash buyers lessens, although doesn't eliminate, its exposure to escalating mortgage costs.

# THE MARKET: 2022

## PROPERTY TRANSACTIONS

### Local

Sales transaction volume in the Golden Triangle - the name colloquially given to the area comprising the municipalities of Marbella, Estepona and Benahavis - was up in 2022 compared to 2021 for both resale properties and new build.

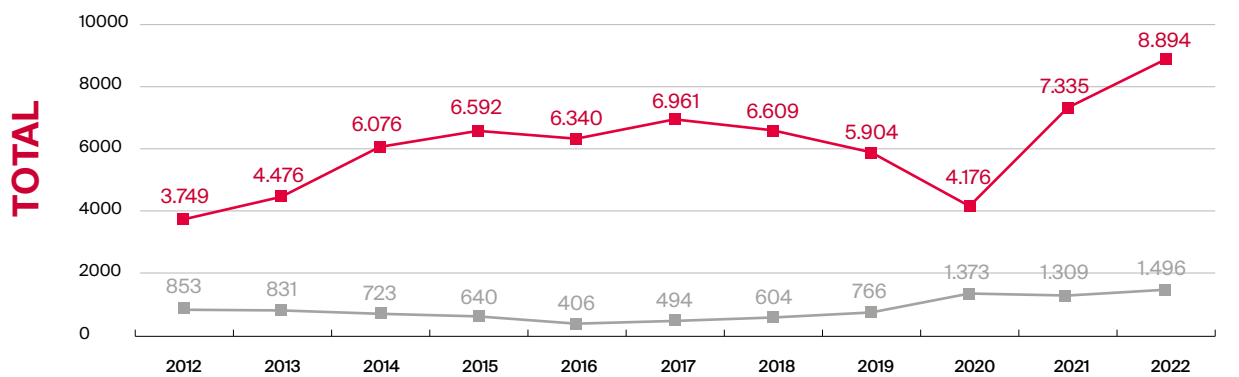
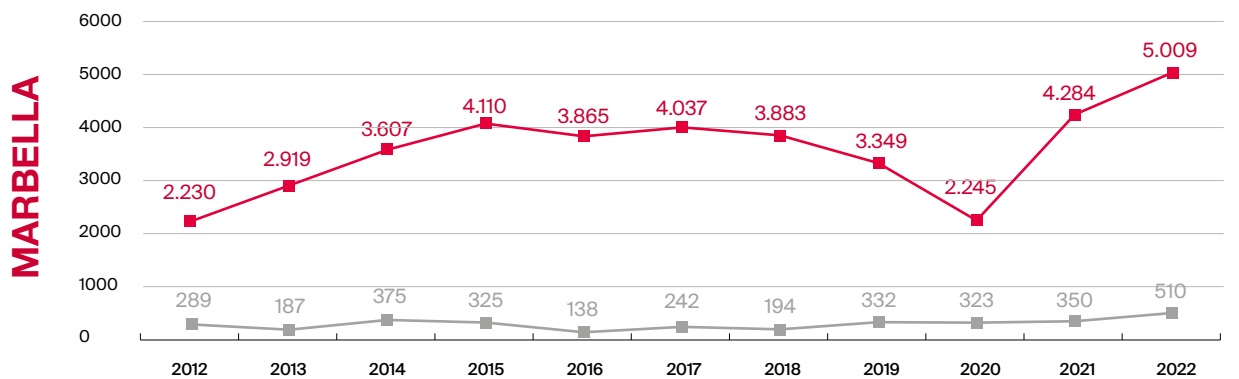
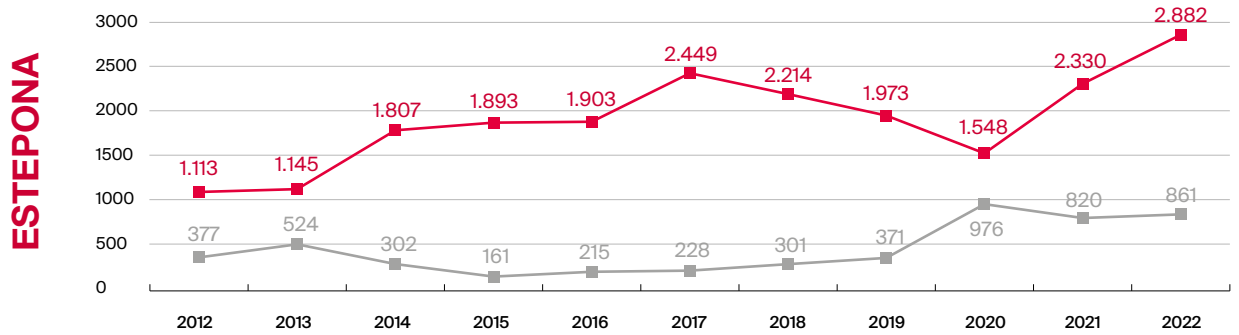
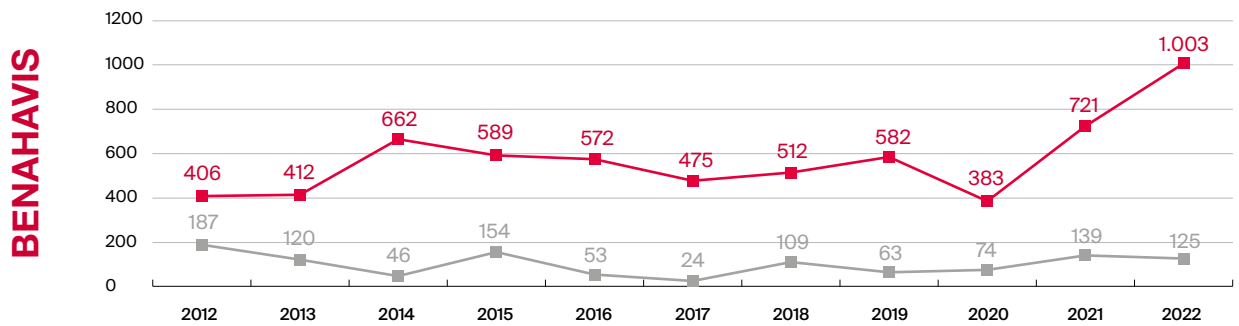
Quarterly data from Spain's Ministerio de Fomento, which included provisional figures for Q4 2022 reveals a significant slowdown in new build property sales which peaked in Q2,

dropping in Q3 and further in Q4\*. This was most apparent in the municipality of Marbella with quarterly transaction figures for new build properties in the last three quarters of 265, 50 and 30 respectively.

Meanwhile, comparatively speaking resale transaction levels remained fairly consistent throughout with provisional Q4 figures very similar to the first quarter.

( \* Provisional figures )

## New build vs Resales 2012-2022 by municipality



Source: Ministerio de Fomento

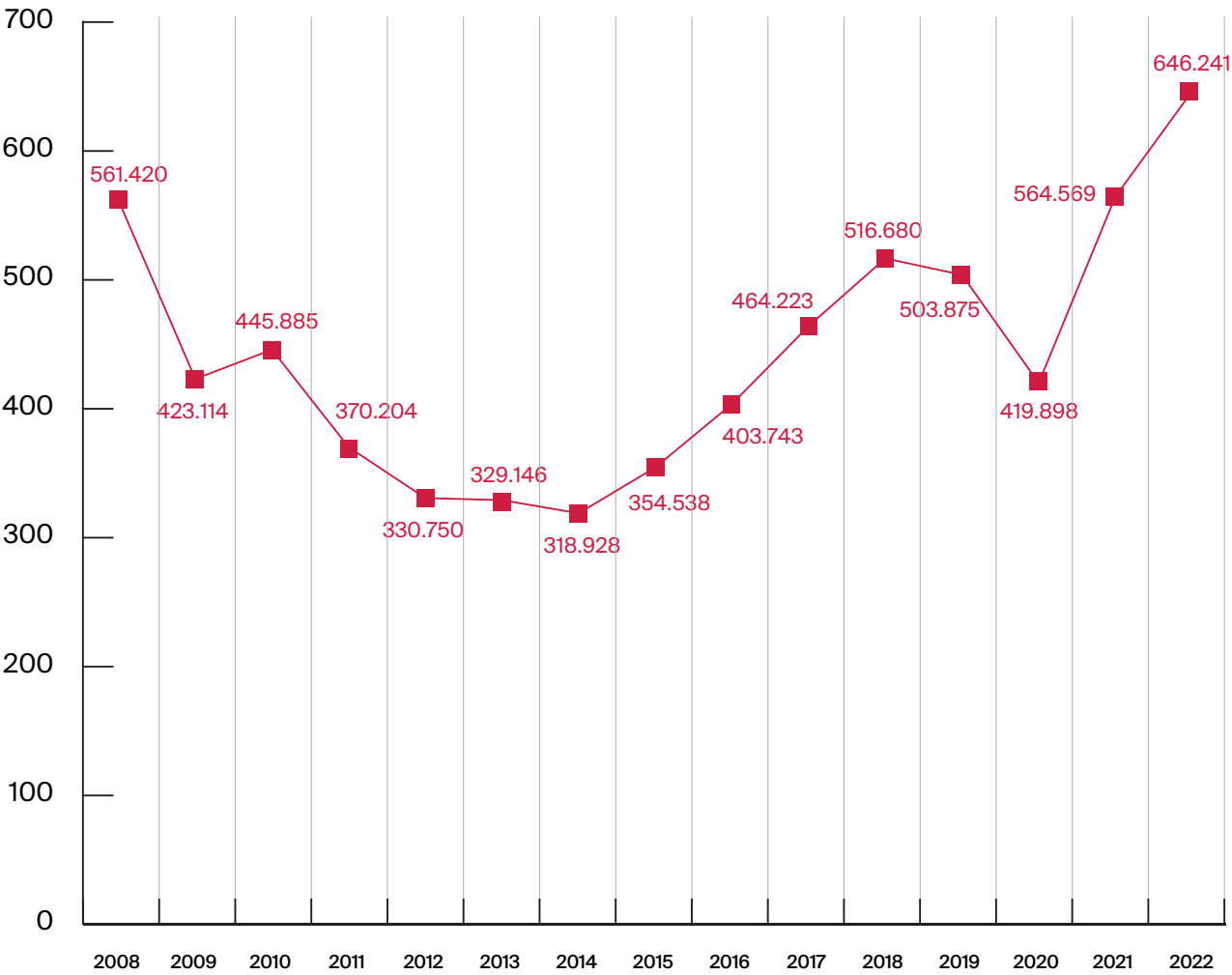
# National

The number of property transactions in Spain in 2022 was the highest in 13 and a half years.

With 646,241 sales in 2022, this represented a rise of 14.5% against the previous year, 81,672 more transactions than in 2021.

However, the year has had two parts differentiated, with a very favourable first half and a gradual cooling of the market in the second half, setting up excellent results for the year 2022 as a total, but with a less favourable outlook for 2023.

Total sales transactions nationwide 2008-2022



Source: Colegio de Registradores de la Propiedad

# Foreign Buyers

In 2022, foreign buyers represented 13.75% of all property sales in Spain. This is an increase of 2.95% against the previous year and the tenth consecutive year above 10%.

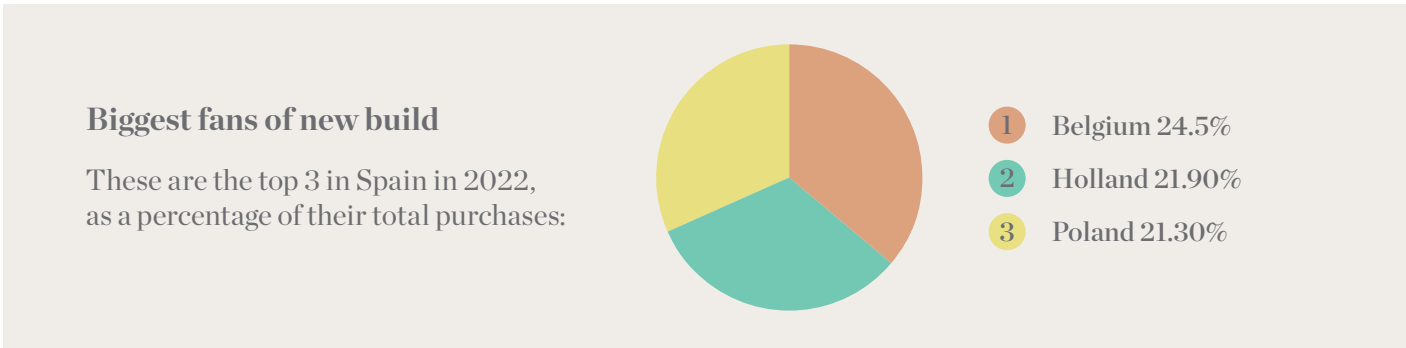
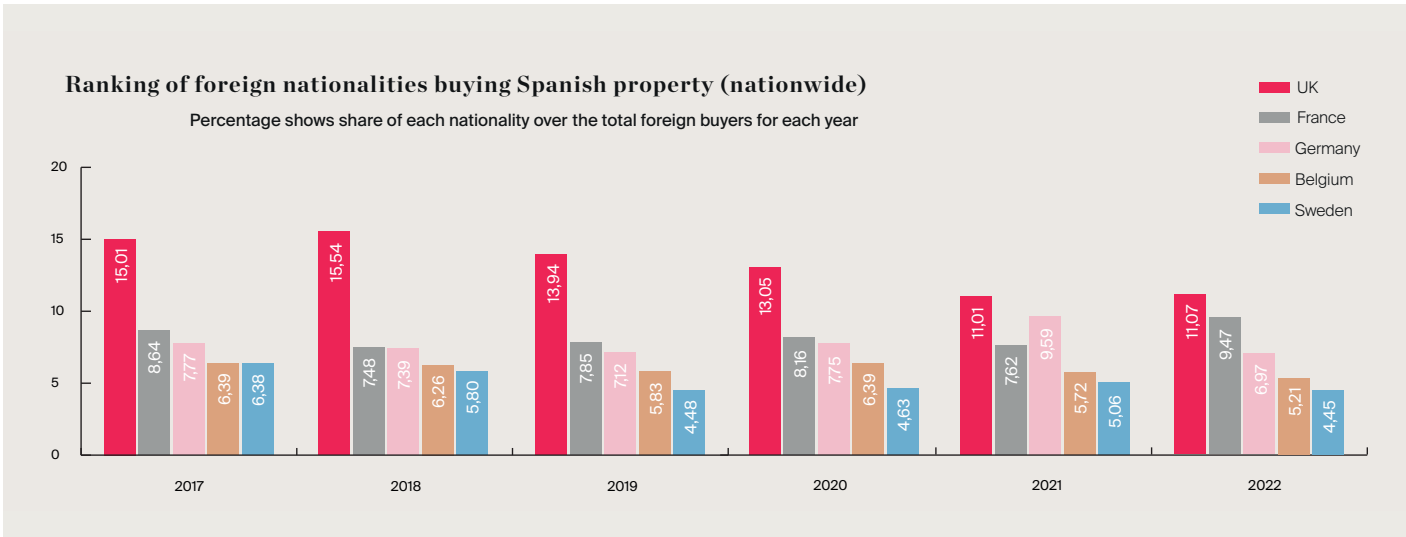
In terms of the top 3 foreign buyer nationalities, in 2022 it was a very similar picture to the previous year: British buyers were the most active with 11.07% of all foreign buyers in 2022, followed by Germans (9.47%) and French (6.97%).

Despite the conflict in Ukraine, the proportion of Russian buyers of Spanish property in 2022 dropped in weight by just 0.22%, representing 1.92% of the total purchases by foreign buyers. However, the percentage

of buyers from neighbouring Poland saw a rise of 1.48% points to 3.35% of the total sales to foreigners last year.

Despite much publicity about the rise in interest from US buyers - due in part to the stronger dollar - US nationals only accounted for 1.19% of purchases of Spanish property by foreigners in 2022, a slight increase of 0.29% points on 2021.

More than 10% of foreign buyers spent €500,000 or more on Spanish property in 2022, the highest proportion since this data was first tracked in 2012, according to Spain's land registry. More than a third of all properties above € 500,000 purchased by foreigners last year were located in the region of Andalusia.



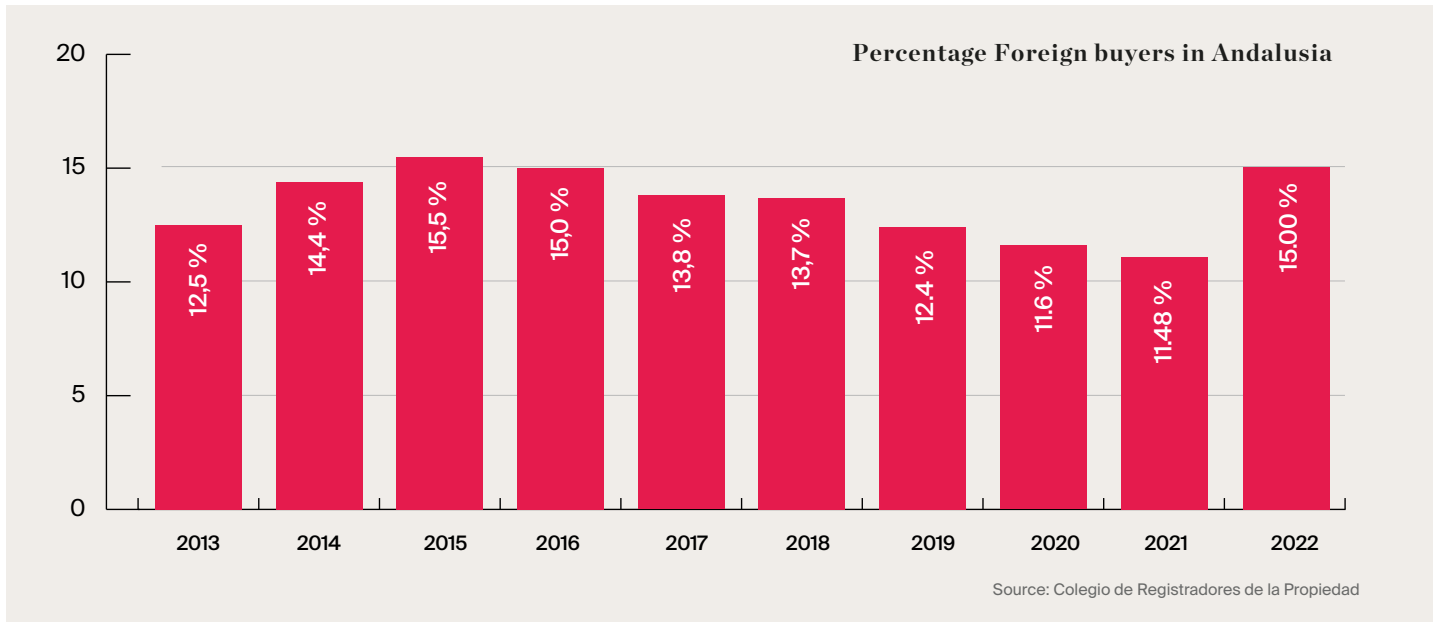
# Andalusia

Foreign buyers in the region of Andalusia represented 15% of all transactions, roughly 3.5% points more than in 2021.

In Andalusia, British buyers accounted for 16.31% of total purchases by foreign nationals last year, with the Swedes in second place with 8.82%, down from last year's 10.28%.

**14.95 %** the proportion of property transactions valued over **€500k** by foreigners in Andalusia in 2022.

Source: Ministerio de Fomento



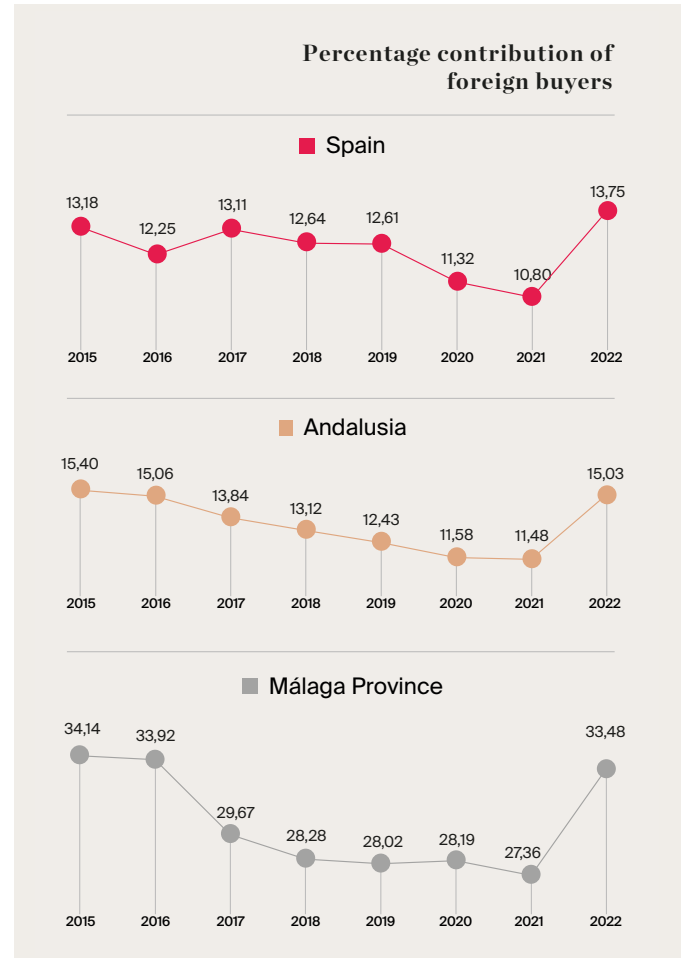
## Málaga Province

During 2022 in Málaga Province - where the Costa del Sol is located - more than a third of residential property sales (33.5%) were to foreigners. This represented a significant rise of 6.12% points compared to the previous year.

Top 3 foreign buyer nationalities in 2022 in Malaga Province were:

1. UK 16%
2. Sweden 12%
3. Netherlands 8%

Source: Ministerio de Fomento



# LOCAL PROPERTY TRENDS

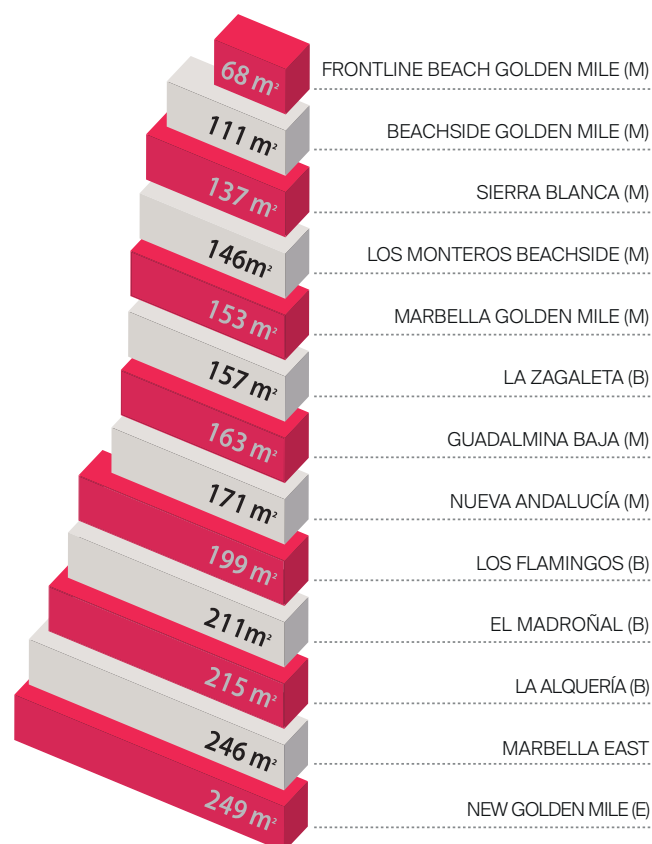
## Home hotspots

- Areas which have been consistently in-demand throughout the years and continue to be the most sought-after: Marbella Golden Mile, La Zagaleta, Nueva Andalucia, La Quinta.
- Areas where we expect to see growing demand: El Madroñal, El Paraiso, Los Flamingos, Estepona town, Marbella East.
- It is important to note that when it comes to second-hand property, Marbella continues to be more in demand than its neighbouring towns whereas Estepona takes the lead in new build properties, where most construction has taken place in recent years due to availability of land and smoother processes in obtention of building licenses.

# WHAT 1 MILLION € GETS YOU

## Comparative values in the Golden Triangle (Marbella, Estepona, Benahavís)

How many square metres of prime  
property does 1.000.000€ buy you in:



Source: DM Properties | Knight Frank  
Date: March 2023

(M): MARBELLA (B): BENAHAIVÍS (E): ESTEPONA

# WHAT BUYERS WANT

These are the current customer trends our team has identified:

This has not changed much from last year. Buyers want to have a ready-to-go property with zero hassle. They're ready to pay more for a turnkey villa instead of having to go through a refurbishment process.

Turn-key villas, traditionally harder to sell than apartments, have been selling well in the mid sector of the market (prices upto 2MM Euros) while those priced in the mid to higher end are still more challenging to sell in their construction phase.



## Changes to Taxes and Legislation

In September 2022 the Wealth Tax was abolished in the region of Andalusia, in which Marbella is located. This wealth tax was levied on the net value of Spanish assets for non-residents, and on worldwide assets for residents, above €700,000 according to a progressive scale of up to 3.5%.

However, a similar tax has since been reintroduced by the central government: Billed as a temporary measure, a new “Solidarity Tax” is being levied on net assets of €3 million-plus, although Spanish resident taxpayers may apply a €700,000 reduction and an additional €300,000 is deductible for primary residences. In those regions in Spain where Wealth Tax is still applicable, the Solidarity Tax will only be charged if the rate exceeds the Wealth Tax due.

The legal limbo that the urban planning situation in Marbella finds itself - which is currently working off the 1986 urban plan (PGOU/Plan General) - is expected to be lifted by year-end, according to the Mayor of Marbella. It is widely expected this will provide planning security on land pending final approval to be developed, which will attract investors and developers looking for business opportunities in Marbella.

New tax rules benefiting foreign digital nomads and start-ups came into force in Spain on December 23rd, 2022.

These new tax incentives are part of the new ‘Start-up’ Law (officially named the Ley de Fomento del Ecosistema de las Empresas Emergentes). The Law includes important tax measures, removes bureaucratic obstacles and makes the procedures to create and invest in start-ups more flexible.

It also contains relevant incentives to attract international talent and recover domestic talent, encouraging the establishment of remote workers and digital nomads in Spain.

Significant tax advantages are introduced, such as a reduction in Corporation Tax and Non-Resident Income Tax.



# GLOBAL OUTLOOK

Optimism for wealth creation in 2023 is high despite the turbulence and aggregate decrease seen in 2022, with 69% of Knight Frank's Attitudes Survey respondents expecting their clients' wealth to increase this year.

Despite the economic uncertainty, global movement looks set to continue, with four in ten HNWIs planning to increase travel overseas. A similar proportion plan to increase

personal expenditure on leisure activities. Whether due to an ongoing reassessment of lifestyles or continuing pent-up demand from the pandemic, the economic outlook appears brighter. While there may be elements of "hunker down and ride it out" with some HNWIs not changing allocations, there will still be healthy activity in global markets - especially among those looking to volatility as an opportunity.

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## Global residential markets

By Kate Everett-Allen, Global Head of Residential Research at Knight Frank

*Last year we referred to 2021 as "an anomaly"; a year characterised by stellar price growth as markets reopened post-Covid, and revenge spending took hold.*

*Off the back of such a boom, you might be forgiven for thinking 2022 would see a return to business as usual. Far from it. Omit 2021, and 2022 posted the highest level of prime price growth on an annual basis (5.2%) since the global financial crisis.*

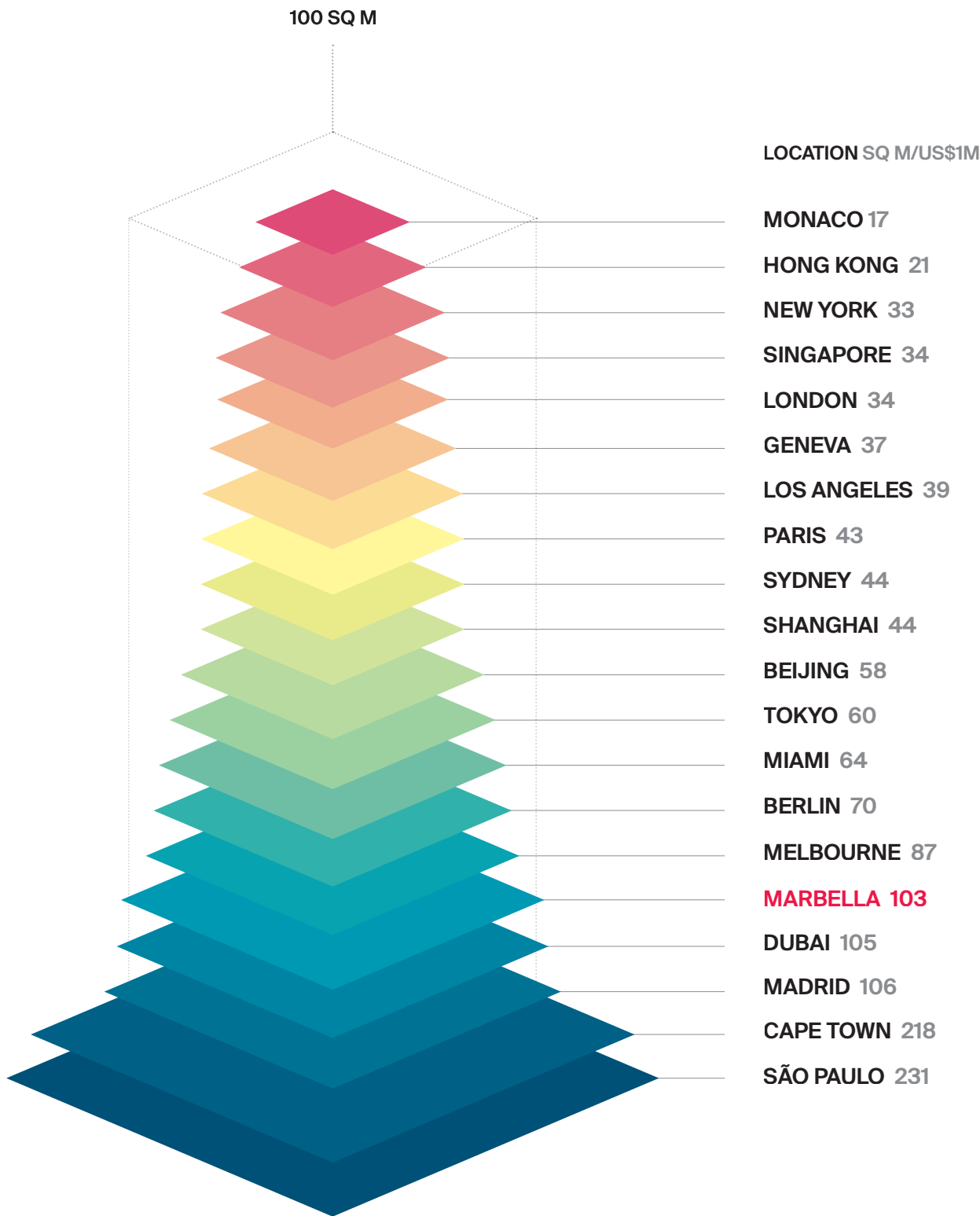
*But it was a year of two halves. Sentiment shifted gear in mid-2022 as inflation waved goodbye to its transitory status and the cost of debt ramped up, recession loomed, the Ukraine conflict led to rocketing energy prices and stock markets, not to mention crypto, went wobbly. So what was*

*behind the price growth? Wealth preservation, safe-haven capital flight and supply constraints played their part, but the pandemic-induced surge clearly had more left in the tank. Covid-19 underlined the fragility of life and the need for connectivity, and sparked a mass transition to hybrid working. For the world's wealthy, this increased their appetite to buy, with 17% telling us they added to their portfolios in 2022.*

*As highlighted in Knight Frank's Outlook Report 2023 real estate was a top cited opportunity, and the HNW Pulse Survey indicates that property holdings are likely to increase. Whether for the perceived inflation hedge, diversification benefits or as a boon in times of uncertainty, a third of HNWIs are looking to increase their residential holdings.*

# Relative values

How many square metres of prime property US\$1m buys in selected cities



Sources: Knight Frank The Wealth Report 2023, DM Properties

Note: Exchange rate as at 30 December 2022  
For Marbella, average price of prime property excludes frontline beach

# KEY FINDINGS

Last year we mentioned that Marbella was no longer just a tourist destination for golfers looking for a place with a mild climate to spend a few weeks and had become a home for many families. We can say that 2022 was the year of Marbella's consolidation as a prime luxury destination in Europe. While in other northern and central European cities the recession, as a consequence of the Russian invasion of Ukraine and rising interest rates (among other events) has begun to take its toll, Marbella has emerged stronger, showing growth figures well above those of its competitors, and continues to establish itself as one of the preferred locations not only for those seeking holiday homes, but also for those who wish to take up residence in a destination that allows them to enjoy all the advantages that this wonderful climate has to offer.

Marbella is attracting many northern European buyers in search of a second home in this new era of hybrid working. It is one of Europe's most diverse markets, easily accessible from Malaga and Gibraltar airports and offers year-round amenities.

On the near horizon, two situations can be seen that could undermine the sustained growth we have enjoyed during this post-Covid period: we are referring to the scourge of the energy crisis produced by the aforementioned war, which for the moment does not seem likely to be resolved in the short term, and the financial earthquake originating in Silicon Valley, which has unleashed a financial crisis with ramifications in other continents, and the consequent losses in the stock markets of the main banking institutions.

Even against this backdrop of some uncertainty, and as a result of the solid performance of the market over the past two quarters, there is every reason to believe that 2023 will see another fairly healthy year for real estate on the Costa del Sol in general, but particularly in Marbella.

- The real estate market is cooling and prices are adjusting except in most sought after locations.
- First signs of gradual shift from “seller’s market” to “buyer’s market”.
- 2022 was the year of Marbella's consolidation as a prime luxury destination in Europe.
- Significant increase in developers looking for second-hand properties for renovation.
- Increasing demand for home sites and lack of stock in certain prime areas.
- Continued increase in buyers from Eastern Europe (Polish, Slovak, Hungarian, Czech).
- Sustained commitment to Branded Residences, with the increasing presence of internationally recognised luxury brands.
- The new Start-Up law with its tax incentives will attract remote workers and digital nomads. Malaga is bound to be one of their preferred destinations.

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